

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6313**

**BILL NUMBER: HB 1744**

**DATE PREPARED:** Nov 21, 2000

**BILL AMENDED:**

**SUBJECT:** Inheritance Tax for Stepchildren.

**FISCAL ANALYST:** Jim Landers

**PHONE NUMBER:** 232-9869

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill changes from a Class C transferee to a Class A transferee the status of a stepchild of a transferor for purposes of the Inheritance Tax.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** The bill could result in a reduction of Inheritance Tax revenue. The amount is unknown. Current law treats legally adopted children and children who have been part of a loco parentis relationship for at least 10 years (if the relationship began before the child's 15th birthday), as lineal descendants. The bill expands the definition of lineal descendants to include all stepchildren. The individuals affected by this bill would be classified as Class A transferees rather than Class C transferees for purposes of Inheritance Tax exemptions. The amount of the exemption for Class A transferees is \$100,000 while the amount of the exemption for Class C transferees is \$100.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Counties retain 8% of the Inheritance Tax collected. There could be a reduction of the amount retained as a result of this bill. The amount is not known. It is important to note that a reduction in the amount retained by counties due to the bill may be reimbursed by the state under the guarantee provision relating to the increase in the Class A exemption as of July 1, 1997. Current law guarantees that in each fiscal year each county receives an amount under the Inheritance Tax that is equal to the five-year annual average amount of Inheritance Tax revenue retained by that county from FY 1991 to FY 1997, excluding the highest and lowest year. Therefore, a reduction in tax retained by a county due to the bill would be reimbursed only to the extent that the bill's provision causes the amount of tax revenue retained by the county to fall below its guaranteed amount.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** All counties.

**Information Sources:** Bill Reynolds, Department of State Revenue, 232-2158.